

CEOS
FOR THE
FUTURE,
WHEN THE
FUTURE IS **NOW.**



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WHAT WE KNOW ABOUT CEOs AND THE FUTURE

For all of us, and maybe especially for CEOs, the future is here now. Informed by what we learned from conversations with 105 board directors, many of whom are current CEOs themselves, Korn Ferry contends:

- The distinguishing qualities of the best CEOs have become table stakes for all CEOs.
- What differentiates the best CEOs now includes being radically human.
- The best CEOs view disruption as an opportunity for transformation and reinvention.
- CEOs must elevate their mindset to view and shape the environment beyond the enterprise.
- Societies are looking to CEOs to architect healthy ecosystems that serve multiple stakeholders.

CEOs for the future will need to demonstrate inquisitiveness, agility, humility, and an insatiable appetite for learning like no generation before them. They are more visible, in terms of their public persona, and need to be comfortable with employees, citizens, customers, and shareholders all projecting their hopes and expectations onto them. At the same time, CEOs are operating in a distributed, networked, empowered system

where decisions are localized and the role they play has both more and less control than ever. All of this requires courage, intelligence, grace, authenticity, and self-awareness as they simultaneously drive results and execute strategy. It requires the qualities that come with emotional intelligence: openness, vulnerability, collaboration. In other words, CEOs need to be very grounded in their own humanity.



A MAJOR MINDSET SHIFT

How will CEOs adjust to leading through this time of uncertainty and volatility? Certainly, nothing was crystal clear before, but leading through the gray will be a new normal for today's leaders. We anticipate that CEOs will elevate their game out of necessity and the drive to survive. But the most effective CEOs and the highest-performing companies will possess a completely different mindset—a view that this new degree of disruption provides the opportunity for transformation and reinvention. CEOs and the next generation of leaders who adopt this mindset will set the stage for the next new normal.

The CEO role is changing, and therefore, so is the profile of best-in-class CEOs. What we know to be true about highly effective leadership in the midst of significant disruption is coming true—you can see the leaders who are rising to the occasion. Now we are ready to assert that this will increasingly be the way CEOs need to lead: with their humanity and emotional intelligence, navigating seemingly impossible paradoxes and

contradictions, balancing stakeholder needs, redefining competition and cooperation, thinking not only about the success of their enterprise but also how they can help architect a healthy ecosystem in which their business can thrive. In essence, CEOs are leading dynamic and diverse communities, not just companies. The CEOs and directors we spoke to believe this is a major mindset shift for successful leadership.

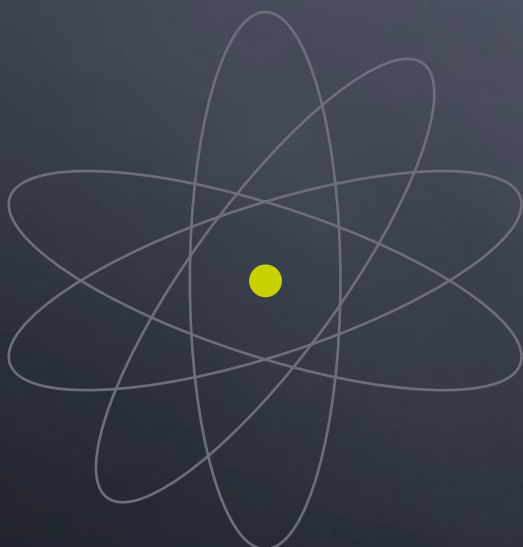
We asked directors and CEOs in North America to reflect on what the future holds for companies, the markets they operate in, and the stakeholders they serve, and how the CEO, the executive team, and the board will work together differently to anticipate disruption and turn challenges into opportunities. Our participants were 77 men and 28 women; 94 white people and 11 people of color; all serve as directors, and 88 are currently CEO, chair, or both. The participants represented a total of 311 companies, with a median annual revenue of \$6.7 billion. The companies represented 11 different industries; 54% are public and 46% private.

FIGURE 1

RESEARCH PARTICIPANTS

The 105 participants are either CEOs or board members, representing 311 companies across 11 different industries.

Industrial Sector	Frequency	Percentage
Consumer Goods	36	11.6%
Financial Services	63	20.2%
Healthcare	13	4.2%
Hospitality	9	2.9%
Industrials	61	19.6%
Life Sciences	9	2.9%
Media/Entertainment	10	3.2%
Professional Services	27	8.7%
Retail	27	8.7%
Technology	43	13.8%
Utility	13	4.2%
<i>Total</i>	<i>311</i>	<i>100.0%</i>



“I think what has to happen is the executive team must be more representative of the customers and the society as a whole, to get the optimal value and to unlock what’s possible within the company. As a CEO, you’re going to have to really be focused and purposeful in figuring out how your executive team has that kind of a face.”

Richard Ferranti, CEO,
Rich Products Corporation

ANTICIPATED CHALLENGES

The majority of participating CEOs anticipated challenges in technology advancement and disruption, more than half foresaw the emerging priority of environmental and social governance, fewer than half focused on geopolitical issues, and only one-fifth mentioned economic challenges. The disruptive potential of a microscopic pathogen resulting in a global pandemic was not on any CEO's radar. Nor was the resurging movement for racial equality and justice. But here we are, with disruptions that are simultaneously accelerating technology, elevating the importance of stakeholder interests and public health, activating our awareness of geopolitical interdependence, and devastating economies.

The CEOs anticipated two primary challenges in the near future: increasingly complex stakeholder relationships and more pronounced business disruptions. With regard to new and sustained business disruptions, at the time of our study, one-third of the CEOs asserted that talent challenges, including employee well-being, could present a limiting factor for their business if not managed well.

Specifically, the challenges involve attracting, developing, and retaining the right talent for the technology shifts and fast-changing needs of the future. Since the pandemic began, we have observed that the importance of employee health and well-being and a solid talent strategy have increased dramatically for many CEOs and boards.

Even with increased unemployment, the war for the right talent has intensified due to the accelerated digital transformation of companies. Mindy Grossman, CEO and president of WW (formerly Weight Watchers), shared,

“Everybody asks me what’s my number one priority. The thing that keeps me up at night is I’ve got to have the right talent to move at pace and to be agile and to envision the future and to not be complacent and to take the right risks. For talent of the future, particularly at the leadership level, you’re not just hiring for a specific skill, you’re hiring people who have the capability for whole-enterprise thinking versus just thinking within their single dynamic.”



In terms of stakeholder complexity, 30% of the CEOs expected balancing different stakeholder groups to be a challenge, while 14% expected increased pressure on communication with multiple constituencies, including employees, investors, and customers. As Beth Ford, CEO of Land O'Lakes, stated, "The top priority for me as CEO is to acknowledge that employee well-being is at the top of my agenda. Without employees, my business is nothing." Many CEOs anticipated challenges balancing short- and long-term objectives in light of the different interests among stakeholder groups.

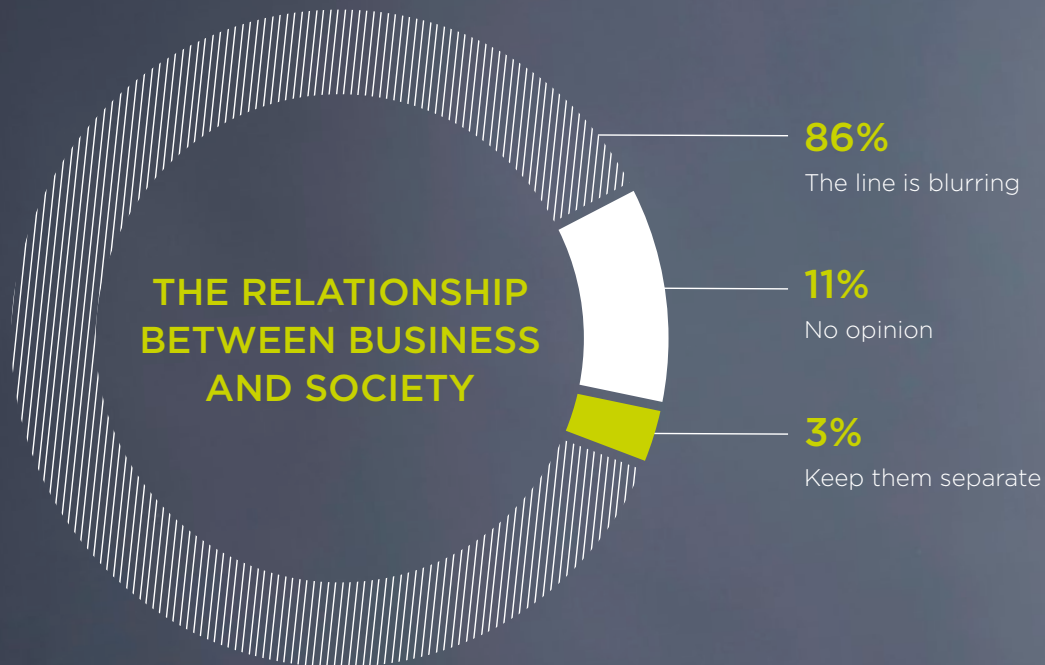
Even though they appreciate that the stakeholder balance is shifting, many CEOs and directors wondered aloud: when will investors truly support long-term value creation and growth, which by definition requires some sacrifice of real short-term gains? On the other hand, investors are being more vocal in promoting the corporate social responsibility agenda. In an open letter to CEOs, Larry Fink, chairman and CEO of BlackRock—one of the world's largest global asset management firms—wrote: "Society is demanding that companies, both public and private, serve a social purpose." BlackRock, State Street, and other investment firms have been publicly sending clear messages that companies need to contribute to society if they want to receive the institutions' investment and support. Will investors walk the talk?

Previously, many CEOs felt that the role required them to be silent on social issues. Given recent events, however, many current CEOs believe they must be willing to take stands on certain social issues, especially those that affect their employee and customer communities. One in particular is anti-racism, after multiple killings of innocent Black US citizens. The acknowledgment that the system is not working for all, and working to change that, is a next step toward a healthier society. This call to action exemplifies the Business Roundtable's statement on corporate purpose, a declaration by businesses of the importance of serving all stakeholders, not just shareholders, through societal change—including efforts related to health, education, and safety. Balancing stakeholder priorities is one of the key reasons the CEO role is changing; it requires a rebalancing, an ability to weigh potentially competing needs as equal and important. In the case of diversity and inclusion, the data is compelling.

Companies in the top quartile of performance are 3.6 times more likely to include diversity and inclusion among their publicly professed values. All of this requires finesse—the ability to lead differently than before.

FIGURE 2

CEOs and board members overwhelmingly see business and society becoming more interconnected.



“Average CEO tenures tend to be three to five years. That’s not enough time to make consistent long-term change. It’s easy to rewrite one’s purpose and one’s vision. But it’s harder and takes much longer to incorporate it into the company DNA.”

Revathi Advaiti, CEO, Flex Ltd.

“I think businesses are going to be challenged to demonstrate that they’re good corporate citizens and that they are not just places of work [but also] critical contributors to their local communities.”

Patrick Dempsey, President & CEO, Barnes Group Inc.

“I think business and leaders have to become more accountable. I think it’s no longer something that’s nice to say: ‘social responsibility.’ I think we have to have more concrete examples of how we’re participating and how we’re making the world a better place, and how we’re taking responsibility for our actions in what we do.”

David Dobson, CEO, Epiq Systems Inc.

CEO DIFFERENTIATORS

Different types of disruptions—some of which might be anticipated and planned for, others which will catch us off guard—are the new normal. When it comes to leadership, certain qualities are simply table stakes for being effective: inspiring others with purpose, valuing both business expertise and emotional intelligence, building resilience and energy in oneself and others, and reinforcing an ever-present level of curiosity and learning orientation. So if these are the table stakes, what are the new differentiators?

FIGURE 3

THE NEW DIFFERENTIATORS FOR CEOS

Qualities that are now table stakes	Differentiators for now and the future
Leading a company	Leading a community
Inspiring others	Inspiring change
Vision and purpose	Connecting purpose, productivity, and impact
Balancing business expertise and emotional intelligence	Real humanity, authenticity, and heart
Building resilience in the self and others	Finding purpose and courage to be renewable sources of camaraderie and energy
Maintaining energy and energizing others	Unleashing collective energy to maximize impact
Anticipating and proactively managing disruption	Seizing disruption and hardship as opportunities for transformation
Learning orientation	Voracious learner
Enterprise mindset	Ecosystem mindset

The most successful CEOs have always understood the relationship between purpose, productivity, and impact. And they know that it starts with them. By leading with authenticity, humanity, and heart, CEOs can inspire greater performance than if they lead simply with instructions and direction. Lou Bellamy, founder and artistic director of Penumbra Theatre, reflected on how to inspire great performance. He shared that when he tells an actor what he wants them to do, the work falls flat. But if he tells them the impact he wants them to have on people and the world, they exceed his expectations. It's a similar case for CEOs who lead increasingly large, complex, networked organizations. The value of defining and inspiring a sense of purpose and direction will unleash collective energy and maximize impact, both for the business and for the broader community, improving everyone's well-being. A higher purpose that benefits the company as well as the world has the power to bring people together and generate a deep, renewable sense of pride, enthusiasm, and support for the business, because the business is driving transformation in society.

By leading with authenticity, humanity, and heart, CEOs can inspire greater performance than if they lead simply with instructions and direction.

Korn Ferry Institute research shows that the most highly ranked companies in overall organizational effectiveness, according to the Drucker Institute, have senior leaders and CEOs with the following qualities:

- 1 Tolerance of ambiguity
- 2 Adaptability
- 3 Risk-taking
- 4 Independence
- 5 Openness to differences
- 6 Trust
- 7 Power to make an impact
- 8 Curiosity
- 9 Builds effective teams
- 10 Engages and inspires



LEADING WITH PURPOSE AND PARTNERSHIP

For some companies—like Medtronic, whose purpose is to “alleviate pain, restore health, and extend life—it’s easy to tie purpose to societal impact. But even for consumer-product companies, it’s possible to define a purpose that inspires a following. Toyota, for example, went from being a car company to a mobility company that “moves people.” No matter the nature of the business, there is a growing consensus that business leaders, CEOs in particular, are being called upon to be societal leaders. Whether that means influencing geopolitical regulations and trade agreements, leading on carbon-neutral climate initiatives, or advocating for health benefits for frontline workers, CEOs have an influential voice, and they are increasingly using it to advocate for policies that benefit their stakeholders—including employees, customers, and shareholders.

While capitalism is fueled by healthy competition, it is also fueled by strategic partnerships and a collision of ideas. In Steven Johnson’s book

Where Good Ideas Come From, we see a steady trend of inventions being the result of multiple people’s ideas; some of these people are profit-minded and others lead with problem-solving before worrying about profit. The notion of a lone genius inventor has been giving way to a highly interdependent ecosystem of people and ideas.

The environment that today’s CEOs find themselves in is complex, unpredictable, interdependent, and wildly creative. In order to lead an ecosystem, the CEO must first become a student of the ecosystem. Having a broad vision and perspective but also intuitive skills and perspective allows them to see the whole context before zeroing in on a subcomponent. In this regard, CEOs are the architects of the ecosystem, but not in a manner that suggests a divine hand or imposition of will and control. Rather, they understand the fundamental interdependence of community health, well-being, vision and focus, and productivity.

CEOS WILL SHAPE OUR SHARED FUTURE

If CEOs are going to elevate their mindset to view the impact beyond the enterprise, they need enterprise leaders on their executive team. Whether the head of a business unit or a functional area, each leadership team member needs to bring a multidisciplinary point of view that can advance the thinking around the table, real or virtual. While CEOs will continue to be the accountable ones, they will become first among equals—empowering their executive committee members to be thought partners who can hold their own with investors, board members, and employees—and become surrogates and successors. This is the type of talent that will allow a CEO the time and space to elevate in place, to look out and look ahead at the marketplace and ecosystem that are shaping and being shaped by their business.

In a similar fashion, boards must become the thought partners and problem solvers they were always intended to be. A CEO who leverages the board's collective wisdom and experience stands on scores of decades of lessons learned rather than just their own. Simply attending four or five meetings a year and hearing reports is now giving way to a level of relationship and trust as well as transparency, as CEOs and directors recognize the mutual accountability and shared purpose that exist between the board and the executive team.

The most effective CEOs are now in a position to elevate their role to a place of humanizing human capital, surviving massive disruption with an eye toward transformation, and thriving despite disruption, all while recognizing that no one is an island: no CEO, no company, no industry, no country. The lines have permanently blurred, and CEOs can seize the moment to shape our shared future—emphasis on the word “shared,” as we are seeing how we are all connected in ways not truly appreciated before the latest global disruption.



“CEOs will need to lean more and more on the team to be a part of the leadership of the company. Ideally, you have everyone on your executive team able to really be a full-on ambassador of the brand of your company, both internally and externally.”

*Mercedes Abramo, CEO & President,
Cartier (North America)*

“CEOs are being called upon to have their vision be part of what is going to be a better future world. And their vision is part of making that happen. So the role is more than just leading the company, in a way, because things are changing so fast. The CEO has got to be part of creating that vision where they sit in the community.”

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